

REFERENCE PAPERS

WARTIME INFORMATION BOARD, OTTAWA

No. 5

May 6, 1943.

PRICE CONTROL IN CANADA

Wartime
Prices and
Trade Board

The Wartime Prices and Trade Board was constituted by Order-in-Council under the War Measures Act on September 3, 1939, "to provide safeguards under war conditions against any undue advancement in the price of food, fuel and other necessities of life, and to ensure an adequate supply and equitable distribution of such commodities."

The Board is responsible to the Minister of Finance and administers the machinery of price control in the Dominion.

The Course
of Prices

The trend of prices in the first two years of war followed closely the pattern of the comparable years in the war of 1914-18. Gradually price increases occurred in food, clothing and other necessities of life. The Wartime Prices and Trade Board took action in cases where it became necessary to check the upward movement of prices. Rents, for instance, responding to a demand exceeding supply, rose sharply, particularly where accommodation for workers in war industries became scarce. The Board froze rents in numerous districts, and eventually, in a continuing series of orders, froze rentals across the entire country.

Late in 1941 it had become evident that the application of individual price ceilings, such as those on rent, coal, sugar, timber and milk, was not sufficiently wide in scope to prevent inflation. The official cost-of-living index in the month preceding the outbreak of war stood at 100.8. By November, 1941, it had increased to 116.3. With war industries nearing full production, the income of workers was at the highest level in history. The great rise in individual purchasing power resulted in increased demand for a diminishing supply of civilian goods.

The Hon. J. L. Ilesley, Minister of Finance, declared on November 6, 1941:

"If the total work done by the people of the Nation is represented by eight hours, and three hours of that work is devoted to war purposes, and only five hours to the

1953, 1954

THE BOARD OF INFORMATION

The Board of Information was established by the War Measures Act on September 3, 1939, and its mandate was to provide information and education to the public in the areas of health, food, and other necessities of life. It is required to provide timely and accurate information of such a nature as to be of public interest.

The Board is responsible to the Minister of Finance and administers the machinery of public control in the Board's area.

The Board of Information was created two years after the outbreak of the Second World War. Its primary purpose was to provide information and education to the public in the areas of health, food, and other necessities of life. The Board's mandate was to provide timely and accurate information of such a nature as to be of public interest. The Board's primary purpose was to provide information and education to the public in the areas of health, food, and other necessities of life. The Board's mandate was to provide timely and accurate information of such a nature as to be of public interest.

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production of peacetime goods and civilian supplies, then there are eight hours wages to be spent on the product of five hours labour. Therefore, unless something is done to channel back the wages for the other three hours, there is going to be such a disparity between purchasing power and what there is to be purchased, that there will be a most powerful upward pressure on prices."

The Price
Ceiling

To meet this upward pressure on prices and prevent the further development of inflationary trends, the government stabilized prices at the level of December 1, 1941. An over-all ceiling was established rather than extending selective price controls because it was felt that pressures had developed to a point where application of the latter method was no longer effective enough.

After December 1, 1941, the prices of all commodities and certain services were not to exceed the highest price paid for goods and services in the period between September 15 and October 11, 1941. Except where minimum prices were fixed, prices were free to fluctuate below this ceiling, according to the regulation.

Certain perishable commodities were exempted from the regulations, including livestock, poultry, eggs, milk, cream, dairy butter, farm-made cheese, etc., when sold by the primary producer to dealers, processors or manufacturers. If such products were sold by the primary producers directly to consumers, however, through public market or otherwise, prices were not to be higher than the maximum retail prices established during the basic period for the same period in the same area.

Services specifically brought under the price ceiling include: the supplying of electricity, gas, steam heat and water, telegraph, wireless and telephone services, the transportation of goods and persons and the provision of dock, harbour and pier facilities, warehousing and storage, undertaking and embalming, laundering services, plumbing, heating, decorating, cleaning and renovating, repairing of all kinds, the supplying of meals, refreshments and beverages, the exhibition of moving pictures, and manufacturing processes performed on a custom or commission basis.

production of processed goods and other supplies
 have been able to meet the needs of the
 population of five hours labour. The
 system is done to encourage the workers for the
 same, there is a limit of about 2.5
 units per hour. However, the fact is to
 encourage the workers to work faster.
 The government has a plan to increase the
 production of goods.

prices
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To meet this upward pressure on prices and prevent the
 further development of inflationary trends, the government established
 a price ceiling in 1944. An overall ceiling was
 established which fixed the maximum price for all goods
 and services. This ceiling was established to a point where application
 of the law would be in the interest of the public.

When the price ceiling was established, the prices of all commodities
 and services were not in excess of the highest price paid for
 goods and services in the period between September 15 and October 11,
 1944. Except where minimum prices were fixed, prices were free to
 fluctuate below this ceiling, according to the regulation.

Certain perishable commodities were exempted from the
 regulations. These included: fresh fruits, vegetables, dairy
 products, and eggs. These items were sold by the primary producer
 to dealers, processors or wholesalers. If such products were
 sold by the primary producer directly to consumers, however,
 through public markets or elsewhere, prices were not to be higher
 than the maximum ceiling price established during the basic period
 for the same period in the same year.

Certain essential services were exempted under the price ceiling
 regulations. These included: the operation of electric, gas, steam heat and water
 systems, and the operation of public utilities. The transportation of
 goods and persons and the provision of bank, hospital and other
 essential services and business, manufacturing and other
 essential services, including maintenance, repair, painting and
 construction, were also exempted. The supply of coal,
 oil, gas and other fuels, and the operation of power plants, and
 other essential services were also exempted. The operation of
 the postal service and other essential services were also exempted.

Membership of the Wartime Prices and Trade Board originally consisted of three members but was subsequently increased to five, and then to 11. Chairman of the Board is Donald Gordon, deputy governor of the Bank of Canada. Members represent six departments of government: Agriculture, Finance, Labour, Munitions and Supply, National Revenue, Trade and Commerce, plus members pro tem of any controller of the Wartime Industries Control Board.

Every commodity and service has been grouped under appropriate administrations. Administrators are appointed by the Board with the approval of the Governor in Council. In most cases, advisory committees from the trade have been appointed to confer with their administrator in regard to orders or regulations affecting their industry.

Administrators have wide powers to administer the policies of the Board, but the underlying principle has been to obtain a maximum degree of co-operation from business and industry.

The application of the price ceiling put many pressures upon retailer, wholesaler and manufacturer. The adjustment of these pressures proved a complicated task. To help ease the problem the Division of Simplified Practice was established by the Wartime Prices and Trade Board. It encouraged the curtailment of "frills", and simplification of manufacturing and distribution.

There are more than 50 administrators in the following businesses and industries:

Retail trade, wholesale trade, foods, textiles and clothing, pulp and paper, metals, coal, glass and products, furniture, hides and leather, jewellery, pharmaceuticals, sugar, asbestos and products, services, rentals, accounting, office supplies and used goods, etc.

Administrators are grouped under six co-ordinators.

The following Munitions and Supply controllers serve as administrators for the Wartime Prices and Trade Board:

Chemicals, machine tools, metals, motor vehicles, oil, power, ship repairs, steel, supplies, rubber, timber and transit.

There are 13 regional offices to facilitate administration: at Vancouver, Edmonton, Regina, Saskatoon, Winnipeg, Toronto, London, Brockville, North Bay, Montreal, Quebec, Saint John, Halifax, Charlottetown. Approximately 100 local offices have also been set up.

Nearly 75% of all buying in retail stores is done by women. To assure the success of price control the Wartime Prices and Trade Board has enlisted, through a multitude of women's organizations, the co-operation of women. A Consumer Branch operates under the Board as a clearing house for problems arising out of price control measures and affords consumers across the country direct representation in shaping Board policies and operations. Women's regional advisory committees are active.

To establish the priority of war needs the Wartime Industries Control Board of the Department of Munitions and Supply was set up to control certain basic materials particularly essential to war activities. It is the responsibility of the Wartime Prices and Trade Board to allocate what is left. The Wartime Prices and Trade Board has supreme authority in the field of price control and civilian supply.

Close co-operation between the Wartime Industries Control Board and the Wartime Prices and Trade Board is assured by an interlocking membership. The Chairman of each board is a permanent member of the other. All controllers under the Department of Munitions and Supply are members of the Wartime Industries Control Board, and any one of them may sit as a pro tem member of the Wartime Prices and Trade Board while any action affecting his field of control is under discussion. By diverting constituent materials to war uses, orders of the various controllers on the Wartime Industries Control Board have drastically reduced the merchandise which can be bought in stores and shops. The manufacture of automobiles and civilian trucks has been stopped for the duration of the war. The end uses to which steel, base metals and chemicals may be put are subject to strict surveillance. Almost the entire supply of silk and natural rubber

Wartime
Industries
Control
Board

There are 12 regional offices to maintain administration

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has been stopped for the duration of the war. The end was to which

steel, cast metal and chemicals may be put was subject to ration

arrangements. Almost the entire supply of silk and natural rubber

is being used for military purposes and the synthetic products now being developed will be used to the same end.

Credit
Restrictions

The Wartime Prices and Trade Board placed restrictions on purchases on the instalment plan of almost all new or used consumer goods. With few exceptions a down payment of one-third of the purchase price was made obligatory, with the balance of the payment to be made in 12 months. Control was taken of all loans under \$1,500 excepting those for business or agricultural purposes. These restrictions have resulted in a pronounced shift from instalment to cash selling.

Simplification
of Production

The Board, through its Industrial Division, works in close co-operation with the War Industries Control Board and National Selective Service toward the curtailment of non-essential industries and activities in order to release manpower, as well as material, machinery, fuel, power and transportation for war industries and the armed services. The reduction of the number of styles in civilian clothing, both for men and women, for example, as well as the simplification of styles, helped conserve material, manpower and machinery for the armed forces and their equipment.

Subsidies

In cases where all of the price-ceiling "squeeze" could not be absorbed by retailer, wholesaler and manufacturer by simplification and conservation, the Government has taken action through the Commodity Prices Stabilization Corporation, acting under the direction of the Board. Through this Company the price ceiling is maintained by the payment of subsidies, and Government bulk purchasing. In principle, subsidies are paid to the consumer to keep down the cost of living. In practice, because consumers are so numerous, they are paid to producers or dealers on condition that they maintain supplies and carry out the policy of the price ceiling.

Where shipping conditions and dislocation of normal sources of supply occur, the Commodity Prices Stabilization Corporation makes bulk purchases abroad and where possible

the being used for military purposes and the synthetic products now being developed will be used in the same way.

The War Relocation Authority and Trade Board have restrictions on purchases on the installment plan of almost all new or used consumer goods. With the exception of some payment of one-third of the purchase price was made voluntarily, with the balance of the purchase to be made in 12 months. Control was taken of all loans under \$1,000 except those for business or educational purposes. These restrictions have resulted in a tremendous shift from installment to cash selling.

The Board, through the Industrial Division, works in close co-operation with the War Relocation Authority and National Selective Service towards the containment of non-essential industries and activities in order to release manpower, as well as material, machinery, fuel, power and transportation for war industries and the armed services. The reduction of the number of workers in civilian industries, both for men and women, for example, as well as the substitution of skilled, trained conscript material, machinery and machinery for the same forces and their equipment.

In cases where all of the production "excess" could not be absorbed by military, industrial and government by requisition and conservation, the Government has taken action through the Commodity Price Stabilization Corporation, acting under the direction of the Board, through this Corporation, the price ceiling is maintained by the payment of subsidies; and Government price purchases. In addition, subsidies are paid to the consumer to keep down the cost of living. In practice, because consumers are so numerous, they are paid to producers or dealers on condition that they maintain supplies and carry out the policy of the price ceiling.

Where existing conditions and fluctuations of market sources of supply exist, the Commodity Price Stabilization Corporation acts with purchases abroad and state controls

distributes these imports through existing trade facilities. Bulk purchases to date include wool, cotton, textile fabrics, sugar, currants, tea, coffee, spices, bristles. Subsidies on domestic products include milk and butterfat, leather footwear, canned fruits and vegetables.

An example of the payment of subsidies to prevent a rise in the cost-of-living index is the recent authorization of the Canadian Government for the payment of subsidies on certain foods in order to lower the prices to consumers. The price of tea was reduced to the consumer by 10¢ a pound; coffee by 4¢ a pound; milk by 2¢ a quart; and the price of oranges was lowered by subsidies and freedom from customs duties.

Rationing

The Wartime Industries Control Board is responsible for allocating to war industries materials essential to the war effort (steel, base metals, oil, gasoline, etc.) The Wartime Prices and Trade Board also allocates certain raw materials at the manufacturing level.

Early in 1942, commitments to Great Britain, the needs of the armed forces, transportation difficulties and shipping losses made consumer rationing necessary in order to ensure fair distribution of certain daily necessities to every Canadian. Coupon rationing was instituted July 1, 1942, with the rationing of sugar at $\frac{1}{2}$ lb. a person weekly. On August 3 tea and coffee were rationed: one ounce tea or four ounces coffee a person weekly. On December 21 butter was rationed at $\frac{1}{2}$ lb. a person weekly. Meat is to be rationed at 2 lbs. weekly in May, 1943. The Wartime Prices and Trade Board is prepared to ration any commodity as soon as it appears that shortages threaten to a degree which would cause grievances about the allocation of available supplies.

Cost-of-Living

By the Armistice in World War 1, cost-of-living prices had risen 57.6% above the pre-war level. Before the application of the price ceiling, December 1941, the cost-of-living index showed a percentage advance of 14.9 above pre-war level. The

... through exports through existing...
... includes wool, cotton, leather footwear, canned fruits
... and vegetables...
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December 1942 index, after 12 months of price ceiling, showed a cost-of-living advance of only 2.6%.

For each point that the adjusted cost-of-living index (August 1939 - 100.) rises above the level of October 1941, as announced every three months by the National War Labour Board, a cost-of-living bonus must be paid by every employer to adjust wages to wartime price levels. This bonus is paid to employees below the rank of foreman and is calculated as follows: 25¢ for each point rise in the cost of living for workers receiving \$25 or more a week; one per cent of the basic weekly wage rates for men under 21 and women workers earning less than \$25 a week.

The cost-of-living index (adjusted to base 100.0 for August 1939) as determined by the Dominion Bureau of Statistics is as follows:

	<u>1943</u>	<u>1942</u>	<u>1941</u>	<u>1940</u>	<u>1939</u>
January	116.2	114.5	107.4	103.0	
February	116.0	114.8	107.3	103.0	
March	116.3	115.0	107.3	103.8	
April	116.7	115.0	107.7	103.8	
May		115.2	108.5	104.1	
June		115.8	109.6	104.1	
July		117.0	111.0	104.8	
August		116.8	112.8	105.1	100.0
September		116.5	113.8	105.6	100.0
October		116.9	114.6	106.2	102.7
November		117.7	115.4	106.9	103.0
December		117.9	114.9	107.1	103.0

Cost-of-Living Index

December 1942 index, after 12 months of price ceiling, showed a cost-of-living advance of only 2.0%.

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For each point rise in the cost of living for workers receiving \$25 or more a week, one per cent of the basic weekly wage rates for men under 25 and women workers earning less than \$25 a week.

The cost-of-living index (adjusted to base 100) for August 1939 as determined by the Dominion Bureau of Statistics is as follows:

Month	1941	1942	1943	1944
January	101.2	101.5	101.8	102.1
February	101.3	101.6	101.9	102.2
March	101.4	101.7	102.0	102.3
April	101.5	101.8	102.1	102.4
May	101.6	101.9	102.2	102.5
June	101.7	102.0	102.3	102.6
July	101.8	102.1	102.4	102.7
August	101.9	102.2	102.5	102.8
September	102.0	102.3	102.6	102.9
October	102.1	102.4	102.7	103.0
November	102.2	102.5	102.8	103.1
December	102.3	102.6	102.9	103.2